

A Warm Homes Bill for Scotland - June 2016

Introduction

The Existing Homes Alliance Scotland welcomes the commitment¹ from the Scottish Government to take forward a Warm Homes Bill in this parliament, which also featured in several party manifestos. This proposed Bill should help bring low carbon and affordable warmth to thousands of households and businesses in Scotland, by supporting the growth of district heating and renewable heat, and helping to improve the energy efficiency of our homes. The Bill should include the following components:

- Regulatory framework for district heating.
- Energy performance targets.
- Triggers for minimum standards of energy performance.
- Strengthen Tenement Management Schemes to facilitate energy efficiency upgrades.
- Renewed fuel poverty targets and provisions for independent scrutiny of progress.

Over half of Scotland's energy consumption and greenhouse gas emissions are accounted for by our demand for heat. Yet just under 4% of that comes from renewables and only 1% is provided by district heating. If Scotland is to enjoy affordable warm homes and ensure it cuts its greenhouse gas emissions we need a bold, new, strategic approach to supporting the uptake of energy efficiency measures and low carbon heat.

A **Warm Homes Bill** for Scotland will ensure energy demand is reduced and investment in energy efficiency, renewables and district heating is encouraged. Legislation is required to create the right policy framework that supports industry, protects consumers and cuts energy bills.

District heating:

A regulatory framework is essential to the strategic growth of the district heating sector and this is expected to form the bulk of the bill. Research by Ricardo AEA for WWF Scotland, Friends of the Earth Scotland and RSPB Scotland indicates that Scotland will have to deliver approximately 40% of all of Scotland's heat from renewable sources by 2030, in addition to significant efficiency improvements, to fulfil targets under the Climate Change (Scotland) Act². Further analysis for WWF Scotland by Element Energy and the Energy Saving Trust indicates that district heating could be needed in up to 350,000 Scottish homes by 2030³. The government has set a target of 40,000 homes connected to communal or district heating by 2020 which is clearly just the starting point.

The Expert Commission on District Heating first recommended that the Scottish Government should adopt a regulatory approach to support district heating in its report published in 2012. The case for regulation was further strengthened when the majority of responses to the draft Heat Generation Policy Statement indicated support for the introduction of regulations to help develop the industry. Analysis by consultants Poyry from 2009⁴ concluded that, without a shift in the market or regulatory environment, there will be no significant additional uptake of district heating to the existing (UK) building stock. Another assessment of district heating by Intelligent Energy Europe concluded that

¹ <http://news.scotland.gov.uk/Speeches-Briefings/Priorities-speech-Taking-Scotland-Forward-24f8.aspx>

² Forthcoming research by Ricardo-AEA for WWF Scotland.

³ http://assets.wwf.org.uk/downloads/rh_web.pdf

⁴ www.poyry.co.uk/sites/www.poyry.uk/files/A_report_providing_a_technical_analysis_and_costing_of_DH_networks.pdf

‘the crucial precondition for maximizing the benefits of district heating and cooling are that consistent, effective and non-discriminatory legislative frameworks are in place.’⁵

In June 2014 the Scottish Government established the Special Working Group on Regulation⁶ with the stated aim to “consider options for extending the regulatory framework for district heating in Scotland”. Their final report stated that “a supportive, clear and stable regulatory environment is crucial to providing both developers and capital funders with the certainty they need to invest in district heating schemes.” It goes on to say that “the regulatory framework [in Scotland] is nascent, has grown up piece-meal and has not been designed to support the development of the sector or to protect district heating customers”.

There is clearly a strong case across climate change, social and economic grounds for the introduction of legislation to support the development of district heating. A Warm Homes Bill should develop the eleven regulatory recommendations presented by the Special Working Group.

The Special Working Group outlined four key areas where regulation could stimulate district heating:

1. **Regulation to support the growth and development of DH systems** (eg local authority powers should include the power to require buildings with significant heat loads to connect to a district heating network where this can offer heating at competitive cost).
2. **Regulation to align local development of DH with national strategic objectives** (eg the Scottish Government to provide binding guidance on key priorities for local authorities’ strategic plans for district heating).
3. **Regulation to promote use of low carbon heat from industrial and other processes.**
4. **Regulation for customer protection, including pricing and service standards** (eg introduce statutory licencing regime for district heating operators in Scotland).

The **public sector** has a key role to play in catalysing change and stimulating investment in district heating infrastructure, according to the [Scotland’s Way Ahead](#) project. This project drew on the expertise of many individuals with experience in low carbon infrastructure and finance and made a powerful case for public sector capital investment in DH networks.

Amending planning policy to require public bodies to connect where suitable would provide important leadership and guaranteed heat load to developers, which would help encourage private sector investment. A requirement from local authorities to require users to connect if feasible would also drive take up. The experience from Norway, set out in Box 1, has shown a 150% increase in the installed capacity for district heating over the last ten years⁷, in large part due to the requirement to connect.

⁵ <http://www.ecoheat4.eu/en/>

⁶ <http://www.gov.scot/Resource/0049/00497892.pdf>

⁷ Ecoheat4EU Recommendation report for Norway, www.eco4heat.eu

Box 1: Norway and district heating regulations⁸

Planning guidelines: require that all buildings above 500 m² shall at a minimum have 60 % of the buildings' net heat energy demand supplied by other means than direct electric heating or fossil fuels. For buildings below 500 m² the minimum is 40%. For new buildings or buildings that are being fully restored there is an obligation to connect to the relevant district heating network if the building is geographically situated within a district heating company's concession limit. Exemptions for the obligatory connection within a concession limit can be claimed for zero-energy or passive house building standards.

Operational standards and price controls: the regulation could mandate the creation of a licensing body, which issues licenses only to suppliers who meet defined design and operating standards and use a standard heat supply agreement which contains robust clauses guaranteeing supply and customers' rights and provides full transparency on price. This helps to mitigate risks for developers and consumers alike.

Licensing system: to ensure that developments are socially and environmentally acceptable. Factors considered in the appraisal include the costs of production and distribution of heat, and the benefits of avoided global and local pollution. As a condition of licensing, the cost of district heating supply must not exceed the equivalent costs of electric heating in the same area.

Energy performance targets

The Scottish Government has announced its intention to designate improving the energy efficiency of Scotland's buildings a National Infrastructure Priority. As with any other infrastructure priority, the Alliance believes this commitment should make clear the intended outcome – a high standard for all of Scotland's buildings within a set timescale. The Alliance focuses on existing housing, and we are calling for the National Infrastructure Priority to raise all homes to an Energy Performance Certificate (EPC) rating of band C, or above, for every household in Scotland by 2025.

Investment in the quality of our existing housing stock underpins progress across so many government policy objectives – tackling fuel poverty and climate change, reducing ill-health, and creating and sustaining jobs in every part of Scotland. This investment will also reduce the need for costly new energy generation.

Including an energy performance target in legislation would help ensure ambitious progress is made by giving the National Infrastructure Priority a statutory underpinning, and accompanying scrutiny of progress by the Scottish Parliament.

Minimum standards of energy performance

While energy performance targets will 'pull' progress through energy efficiency policies and programmes, regulation will provide the 'push' for the worst performing properties which are not improving through voluntary uptake of measures. The Scottish Government intends to consult in this parliamentary session on draft regulations which would require a minimum energy efficiency standard for the private housing sector ([Regulation for Energy Efficiency in the Private Sector – REEPS](#)), seven years after provisions were made in Section 63 of the Climate Change (Scotland) Act 2009 for such regulation. This is a welcome start, but could take a very long time to have any impact due to the slow turnover in the owner occupied sector. (see related [briefing on regulation from EXHA](#)).

⁸ Energy and Communities: Heat and the City Project, 2012, Research Councils UK

Therefore, we suggest that the Warm Homes Bill includes provision for a minimum standard to also be required at the point of major refurbishment. This would mean that if a homeowner or landowner is undertaking fundamental changes to the property that increase its energy consumption, something should be done to redress the balance – such as improve the insulation, upgrade an old boiler or add better heating controls. This would drive improvements across the housing stock at what is usually the most cost-effective and convenient opportunity for householders.

Furthermore, we recommend the minimum standard should be required for any property in receipt of improvement grants, for example from Historic Scotland, local authorities, or as part of the Empty Homes programme. Public money should not be supporting any home that is of such a poor energy performance standard it will virtually condemn the household to live in fuel poverty.

Tenements

Maintaining and improving Scotland's historic tenements is a significant challenge, yet they provide around 12% of Scotland's homes and are a key part of the country's urban fabric. We believe there is a need to explore opportunities to enhance opportunities to upgrade the energy performance of flats. This briefings suggests two areas for consideration (outlined below), and the Alliance will be working with stakeholders to consider these and other needs further.

To complement minimum standards regulations, the Tenements Management Scheme (TMS) needs to be strengthened and better communicated. Every flat or tenement has a TMS, either via deeds, or where deeds are not clear or lack detail, via the Tenements (Scotland) Act guidance. For maintenance work to go ahead a simple majority of owners is required. For improvement works, a unanimous decision is required. Maintenance does now include 'the installation of insulation' but in practice the clarification over exactly how and when the Act can be used is required.

Factoring and building management schemes are critical for the engagement and coordination of the actions that inevitably need to take place with households and these are often lacking. There is a need to ensure, possibly through regulation, that all properties have an active and robust management structure in place to maintain the fabric of properties. Without these, more innovative approaches such as equity release schemes for owners and the operation of 'sinking funds' for private landlords/householders (to set aside monies to invest in the fabric and amenity of their homes) would not take place at scale. Taken together, this could form an important part of Scotland's Energy Efficiency Programme and the National Infrastructure Priority on energy efficiency.

Fuel Poverty Targets and Programme

With 35% of Scottish households living in fuel poverty it is clear that the statutory target to eradicate fuel poverty by November 2016 will not be achieved. The Scottish Government has established a [Fuel Poverty Strategic Working Group](#) to provide recommendations on a new fuel poverty strategy, and a [Rural Fuel Poverty Task force](#) to consider look at specifically at actions for rural and remote properties.

It is important that lessons are learned from existing and previous programmes, and that the government works with stakeholders to devise a new target and statutory fuel poverty programme that will drive action, maximising the use of Scotland's devolved powers.

The Alliance believes that a new fuel poverty strategy must have a statutory footing, and should include an overall target for fuel poverty eradication and provision of affordable warmth and energy.

The target should be accompanied by clear milestones to assess progress against all four causes of fuel poverty: energy performance of the home, income, and energy prices.

The legislative framework should include:

- The setting of the long term targets.
- Reporting to the Scottish Parliament against progress.
- Submitting regular (eg 5 yearly) delivery plans and progress reports to the Scottish Parliament.
- Provision for a stakeholder body to provide regular scrutiny (quarterly) of the delivery plan and annual targets.

Benefits

Taken together, these provisions would help achieve ambitious energy performance standards in Scotland's homes, thereby reducing emissions and helping to eradicate fuel poverty. For example, reductions in carbon emissions as a result of substituting district heating for other forms of heating average 30-40% and fuel bill reductions can be of the same order, lifting many out of fuel poverty.

District heating and energy efficiency also have significant economic benefits for both the national and local economies, including creation of significant numbers of jobs in the upgrade of homes, construction and operation of district heating systems and the retention of wealth in the local economy as a result of fuel bill savings. Finally, district heating networks can support the development of renewables by allowing the flexible integration of renewable heat sources in one system.

In conclusion, a Warm Homes Bill should incorporate the following:

- Establish a new statutory target of 40% of all of Scotland's heat to come from renewable sources by 2030 to provide long-term certainty to industry about market development prospects.
- Regulate district heating to drive uptake and to protect consumers.
- Incorporate statutory energy performance targets to underpin the new national infrastructure priority.
- Introduce enabling legislation to introduce requirements to meet the REEPS standard at the point of major refurbishment and on receipt of improvement grants.
- Strengthen Tenement Management Schemes and ensure all buildings have a robust management structure in place.
- Introduce a new fuel poverty target and statutory fuel poverty programme.

Further information:

Elizabeth Leighton, Policy advisor and secretariat - Existing Homes Alliance Scotland

Elizabeth@leightonconsulting.co.uk mob 07792647005

www.existinghomesalliancescotland.co.uk

The Existing Homes Alliance Scotland is a coalition of environmental, anti-poverty, consumer, housing and building organisations calling for urgent action to transform Scotland's existing housing stock and make it fit for the 21st century. The steering group members are: Association of Local Authority Chief Housing Officers, Chartered Institute of Housing, Changeworks, Citizens Advice Scotland, Energy Action Scotland, Energy Agency, Energy Saving Trust, Scottish Federation of Housing Associations, and WWF Scotland.